

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 3322 – SB 3174

March 27, 2012

SUMMARY OF AMENDMENT (015101): Deletes all language after the enacting clause. Authorizes a qualified taxpayer owning a qualifying environmental project to receive a one-time tax credit, to be allocated equally over a seven-year period, in the amount of 1.75 percent of the investment in the qualifying environmental project. Defines a qualified environmental project as a project in which the taxpayer makes an investment in excess of \$100,000,000 to eliminate mercury from the manufacturing process and operations of one or more existing chlor-alkali manufacturing and ancillary facilities and equipment in the state. Caps the maximum amount of investment that the tax credits could be applied to at \$100,000,000. Requires the construction of the qualifying environmental project to have commenced on or after January 1, 2011, and to be substantially complete on or before January 1, 2014, to qualify for the tax credits. Requires the project to maintain an annual average of at least 350 jobs in Tennessee for a period of six years following substantial completion of the project. Requires the qualified taxpayer owning the qualifying project to agree, as a condition to receiving the proposed tax credits, to forgo any job tax credits that may be available to the taxpayer under current law pursuant to Tennessee Code Annotated §67-4-2109(b)(1) and (b)(2) in connection with the qualifying project. Specifies that the proposed tax credits provided shall first be available in the later of the year in which the qualifying project is substantially complete or July 1, 2013.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – \$50,000/One-Time

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue – \$1,750,000/Each Year FY13-14 thru FY19-20

Decrease State Revenue – \$1,750,000/Each Year FY13-14 thru FY19-20

Assumptions applied to amendment:

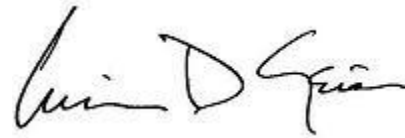
- One qualifying environmental project will receive full tax credits provided by this bill as amended.

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- According to the Department of Revenue, in the absence of this bill as amended, the qualified taxpayer of the qualifying project would receive integrated supplier franchise and excise tax credits totaling approximately \$12,250,000. This tax credit would be distributed evenly over seven fiscal years, starting with FY13-14, in the amount of \$1,750,000 per year. The qualified taxpayer of the qualifying project will forgo the tax credit available under current law in order to qualify for the tax credit provided under this bill as amended, resulting in a total increase in state revenue of \$12,250,000.
- Seven annual credits in the amount of \$1,750,000 ($\$100,000,000 \times 1.75\%$) will be provided to the qualifying project, starting with FY13-14 and ending in FY19-20.
- The total decrease in state revenue associated with the tax credits provided by this bill as amended will be \$12,250,000 ($\$1,750,000 \times 7$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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